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Faced with continued challenges, rural hospitals could find solutions in a variety of partnerships

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The Buzz This Week

The Commonwealth Fund recently published a report on rural hospitals forming consortiums and networks, aiming to better address the multitude of challenges they continue to face. Rural hospitals provide essential healthcare services to their surrounding communities, but their small size and geographic isolation hamper their ability to attract and retain clinical specialists and sub-specialists. This limits their ability to offer a full spectrum of clinical services, which is a detriment to the local population and a challenge to the hospital's financial performance.

Commercially insured patients with flexibility in their network of approved providers often seek specialty care from other larger hospitals and health systems. But patients who do not have comprehensive commercial insurance plans either go without adequate medical care or pay high sums out of pocket. The rural hospital and much of the surrounding community are at a disadvantage because of these dynamics—both financially and in terms of health status.

These dynamics, as well as workforce shortages, reimbursement challenges, and other factors have created an extremely challenging scenario for rural hospitals. Since 2010, more than 150 rural hospitals have closed, further limiting access to care for vulnerable rural communities.

As economic conditions further challenge rural hospitals, there may be an increase in partnerships. One of the rural consortiums referenced in the Commonwealth Fund report created a nursing “staff share program,” where nurses would be offered grant funds and other incentives if they volunteered to work shifts at other hospitals within the consortium. This approach helps fill gaps in nursing staffing while also providing a unique learning opportunity for the nurses who volunteer for the program, in some cases giving them training

and experience that will allow them to support a broader set of clinical specialties and types of care.

Why It Matters

While there are many positive aspects for rural hospitals forming or joining a partnership, there are also potential drawbacks that should be considered.

Potential benefits:

- Reduced costs through shared resources and combined purchasing power. This can take many forms, including shared supplier or vendor management (even if specifics of contracts are not combined), better pricing for supplies (if the entities negotiate together).
- Enhanced quality through a sharing of best practices and collaboration on performance improvement.
- Improved patient access and reduced wait time for appointments, if partnering entities are willing to refer patients across both systems.
- Improved patient access to a more comprehensive set of clinical services.
- Improved workforce retention, by offering flexible hours and locations, and the opportunity to learn new areas.
- Increased bargaining power with commercial insurers. (This can only work through a legal collaborative between rural partners, the terms of which may vary by state and payer entity.)

Possible drawbacks:

- Limited combined synergies due to lack of cultural or operational differences.
- Conflicts of interest (for example, if one rural entity has a collaborative relationship with a regional provider with which the other rural entity competes).
- Possible lost autonomy over strategic and operational decision-making, depending on the structure of the partnership.

Given the tenuous financial position facing rural hospitals today and the many other challenges they experience, it is worth exploring partnership or collaboration opportunities. However, leaders at each hospital should consider their unique market and the communities they serve, local competitive dynamics, and the payer landscape before pursuing partnerships.

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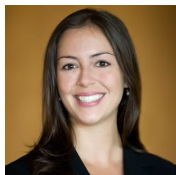
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